Microfoundations of strategic management: Toward micro–macro research in the resource-based theory

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Abstract Over the last few years, a new stream of research has emerged in the field of strategic management which focuses on the analysis of its microfoundations. This line of research analyzes strategic topics examining their foundations rooted in individual actions and interactions. The main purpose of this paper is to examine this emerging literature of microfoundations, indicating its usefulness and main characteristics. Through a systematic literature review, this paper contributes to the field by identifying the main areas studied, the benefits and potential of this approach, and some limitations and criticisms. Moreover, the paper studies how the integration of micro and macro aspects in strategy research may be carried out, examining several works that use a multilevel approach. Some methodological approaches that may help to effect this integration are indicated. These aspects will be analyzed in relation to the resource-based theory.

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Introduction

In the field of management and organizational sciences, specialization has led to a divide between the "macro" and "micro" areas (Aguinis et al., 2011). On the one hand, macro management research domains (for example, strategic management and organization theory) focus their research questions and analysis mainly on the organizational or firm level, and even on interorganizational relationships. On the other hand, micro areas (for example, organizational behavior and human resources management) examine research questions at levels within organizations, mainly individual and group levels, although some studies use the organizational level to analyze their questions.

Strategic management is considered to be a macro area. For example, the four main questions of strategy proposed by Rumelt et al. (1994) are related to the firm level. The present article focuses on one of these questions, namely, why firms are different, or in other words, what factors maintain performance heterogeneity among competitors in spite of competition and imitation. Strategy research tries to explain macro (firm) phenomena (typical dependent variables are firm performance or firm competitive advantages) on the basis of independent variables that are usually also collective firm variables (firm resources and capabilities, organizational routines).
However, over the last few years, some authors have emphasized the importance of understanding collective strategic issues and research questions taking into account aspects at the individual level as independent variables. The name of this research line is microfoundations of strategic management (Felin and Foss, 2005; Foss, 2010). This interest in micro issues is not exclusive to strategy but is part of a general process in the social sciences. Thus, several fields have also considered micro elements (for example, in economics several research lines have been developed, such as microeconomics and neuroeconomics, and in finance a line of behavior finance has also been developed).

We can follow researchers who are leading this emergent literature (Abell et al., 2008; Felin and Foss, 2005; Felin et al., 2012; Foss, 2010, 2011) in order to specify the foundations of microfoundations of strategy. Microfoundations research focuses on the influence of individual actions and interactions on firm heterogeneity. As indicated by Felin and Foss (2005, p. 441) in their seminal work: “Organizations are made up of individuals, and there is no organization without individuals. There is nothing quite as elementary; yet this elementary truth seems to have been lost in the increasing focus on structure, routines, capabilities, culture, institutions and various other collective conceptualizations in much of recent strategic organization research”. Therefore, the specific level of microfoundations is the individual level. Other issues located between individuals (micro) and firm (macro), such as organizational subunits, groups, teams or projects, may be considered as meso issues (Foss et al., 2010; Mathieu and Chen, 2011).

The main purpose of this paper is to examine the most relevant aspects of this emergent literature about microfoundations in strategy, carrying out a review of works published. Moreover, how micro and macro issues can be integrated in strategy research is analyzed, indicating some appropriate research methods that can facilitate this integration. These issues will be mainly studied with regard to the resource-based theory because this is the theory that has received most attention in microfoundations research, especially routines, capabilities and knowledge (Abell et al., 2008; Foss, 2010, 2011).

Several contributions of this article can be indicated. Firstly, through a systematic review of the microfoundations literature, this paper identifies the main areas and topics studied, the research methods used, the benefits, opportunities and potential of microfoundations to improve strategy research, and the main limitations, critiques and challenges that must be addressed. Secondly, this paper tries to reduce the divide between micro and macro research, suggesting ideas and methods that may help to implement micro–macro multilevel studies. This issue is relevant because the bridge across this macro–micro divide is considered as a key factor to help advance management research (Rynes, 2005).

The remainder of the article proceeds as follows. In the next section, the main characteristics of microfoundations in strategy are examined. Then a systematic literature review of microfoundations in the resource based theory is carried out, identifying studies published, examining main areas and topics, and analyzing the main opportunities, challenges and criticisms. Before the conclusions section, several issues with regard to the integration of micro and macro research are examined.

### Microfoundations research in strategic management

Strategy research has usually been macro level in order to explain firm performance heterogeneity. Two important research lines in strategic management focus on this macro level. Firstly, some works have examined the determinants of firm performance (firm, industry and corporate effects, among others) and their relative importance (McGahan and Porter, 1997; Rumelt, 1991; Schmalensee, 1985). These studies are macro research as they analyze effects at firm or higher levels (strategic groups, industries, locations). Moreover, these effects are examined at an aggregated level. For example, the firm effect represents the firm’s bundle of resources and capabilities, and no specific resource is analyzed. Secondly, other studies have examined the impact of specific resources on performance, but these works have analyzed resources at the firm level (firm resources, organizational routines) and not at an individual level (Armstrong and Shimizu, 2007; Crook et al., 2008; Newbert, 2007).

In addition, many topics of interest in strategic management, such as diversification patterns, vertical integration, competitive rivalry and so on are placed on a level of analysis that is above that of the individual (Abell et al., 2008). In fact, the dependent variables in strategic management are usually placed at the level of the firm, and the independent variables and the mechanisms that link them to the dependent variables are also usually considered at the firm level. Thus, organizations are considered as repositories of organizational routines, firm capabilities and organizational knowledge, and these routines, capabilities and knowledge are sources of competitive advantage, financial performance, innovation and the boundaries of companies.

A specific example is the analysis of knowledge as one of the main firm resources. The knowledge-based view of the firm advocates that the main sources of competitive advantage are knowledge assets that are built over time through processes of creating, integrating and sharing knowledge. Although some works highlight the importance of individual knowledge (Spender, 1996), the knowledge literature has been dominated by a macro orientation that considers constructs at the level of the firm (firm knowledge, firm absorptive capacity, etc.). However, processes of creating, integrating and sharing knowledge are critically dependent on the skills, efforts, knowledge and behaviors of individuals, often in response to rapidly changing contingencies (Foss, 2010).

The perspective in strategy of trying to explain dependent variables at the firm level (competitive advantage, firm performance) through independent variables that are also examined at this firm level (routines, capabilities) is not erroneous and, of course, it is legitimate. However, the specific gap and associated problem are that this macro or collectivist mode of explanation, which dominates large parts of the strategic management literature, is incomplete as individual actions and interactions (individual independent variables) may be relevant to the explanation of firm-level outcomes.

Felin and Foss (2006) and Foss (2011) point out some reasons for the macro bias in strategic management, or in other
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